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June 15, 2007

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When calling relative to this
matter, refer to file No. 1508.

Honorable James H. Welsh
Commissioner of Conservation
Office of Conservation
P. O. Box 94275
Baton Rouge, Louisiana 70804-9275

Re: Lower Cotton Valley Formation,
Reservoir A
Hico-Knowles Field
Lincoln Parish, Louisiana

APPLICATION FOR PUBLIC HEARING

Dear Sir:

KCS Resources, Inc. hereby makes application pursuant to the revised rules of procedure of for a public hearing to consider evidence relating to the following matters pertaining to the Lower Cotton Valley Formation, Reservoir A, in the Hico-Knowles Field, Lincoln Parish, Louisiana:

1. To redefine the Lower Cotton Valley Formation, Reservoir A, in all of the existing Lower Cotton Valley Formation, Reservoir A, units in the Hico-Knowles Field, namely LCV RA SUA, LCV RA SUB, LCV RA SUC and LCV RA SUD, as that gas and condensate bearing zone encountered between the depths of 8,580 feet and 11,320 feet (electric log measurements) in the Chevron USA, Inc. - F. H. Callaway No. 1 Well located in Southeast Quarter of Section 11, Township 19 North, Range 4 West, Lincoln Parish, Louisiana, which units are shown outlined on the plat attached hereto and made a part hereof;
2. To establish one additional drilling and production unit for the exploration for and production of gas and condensate from the Lower Cotton Valley Formation, Reservoir A, in the Hico-Knowles Field, Lincoln Parish, Louisiana, to be designated LCV RA SUE, as shown outlined on the plat attached hereto and made a part hereof;

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3. To force pool and integrate all of the separately owned tracts, mineral leases and other property interests located within the proposed unit in accordance with Section 10, Title 30, of the Louisiana Revised Statutes of 1950, with each tract sharing in unit production on a surface acreage basis of participation;
4. To confirm and ratify the units established by Order No. 137-AA, effective September 1, 1979, with the definition of the Lower Cotton Valley Formation, Reservoir A, to be redefined pursuant hereto;
5. To amend the well spacing rules applicable established by Office of Conservation Order No. 137-AA such that wells shall be located no closer than 660 feet from unit lines and that there be not less than 1320 feet between wells drilling to, completed in, or for which a permit shall have issued to the Lower Cotton Valley Formation, Reservoir A, in the Hico-Knowles Field;
6. To designate a unit well for and to designate KCS Resources, Inc. as operator of LCV RA SUE; and
7. To consider and cover such other matters as the Commissioner of Conservation may deem appropriate and necessary under the circumstances.

The Lower Cotton Valley Formation, Reservoir A, in the Hico-Knowles Field, Lincoln Parish, Louisiana, is currently defined in Office of Conservation Order No. 137-AA, effective September 1, 1979, and is to be redefined pursuant hereto.

A Pre-Application Notice dated May 23, 2007, was circulated in connection with this matter. A conference was requested and held on Wednesday, June 13, 2007, at 10:00 a.m. in the offices of Cook, Yancey, King & Galloway in Shreveport, Louisiana. A pre-application notice affecting a part of the area covered by the unit KCS Resources, Inc. ("KCS") proposes to designate as LCV RA SUE in the Hico-Knowles Field was filed by Clayton Williams Energy, Inc. ("CWE") on the same the day as the KCS pre-application notice was filed. CWE proposes to establish a Lower Cotton Valley unit configured differently than the KCS Lower Cotton Valley unit is configured, as well as to establish an Upper Cotton Valley unit of the same configuration, and proposes that those units be assigned to the Ruston Field. KCS requested a conference with respect to the CWE pre-application notice, and CWE requested a conference with respect to the KCS pre-application notice. Accordingly, a joint pre-application conference was held. The persons who attended the joint conference are shown on the attached lists. Representatives of KCS and CWE respectively presented their basic unitization plans with respect to the area in question which, as noted above, KCS proposes to include as an extension of the Hico-Knowles Field and CWE proposes to include in the Ruston Field. The configuration of the proposed unit differs in the two plans. There was a discussion among those in attendance about the proposals of the parties. It does not appear that the differences in the KCS and

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CWE plans can be resolved between the parties. The CWE plan is effectively a counter plan with respect the KCS plan and the same can be said of the KCS plan with respect to the CWE proposal. It is contemplated that these matters will be consolidated for the presentation of evidence.

Any pertinent data relating to this matter can be obtained at the cost of the requesting party, from Mr. Craig Barclay, 522 Dumbarton Drive, Shreveport, Louisiana 71106, at telephone number (318) 869-2223.

The list of parties attached to the copies of this application being sent to the Office of Conservation includes the names of all Interested Owners, Represented Parties and Interested Parties known to Applicant after a diligent search. A copy of this application, with plat attached, is being sent to each such party. Pursuant to Office of Conservation regulations, the list of parties is being furnished only to the Commissioner of Conservation and to the District Manager of the Shreveport District of the Office of Conservation; however, the list of parties will be provided to any person requesting a copy of it. Enclosed with the copy of this application being sent to the Commissioner of Conservation is a check for the application fee for this matter.

Yours very truly,

COOK, YANCEY, KING & GALLOWAY



J. William Fleming

jwf:s

Enclosures

cc: James C. Broussard, District Manager
Interested Owners, Represented
Parties and Interested Parties
Mr. Craig Barclay
Mr. Tom Lindley
All Attendees at Pre-Application
Conference on attached lists

